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Report Highlights:

Egyptian authorities announce AI compensation plan and efforts to restructure the poultry industry. New cases of H5N1 are still being reported daily but incidents are limited to areas already affected. Feed grain consumption seen dropping further, 60 to 70 percent, as massive number of small and medium scale poultry producers abandon the industry. Drastic declines in poultry production have sparked rumors that Egypt maybe forced to import frozen poultry.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Cairo [EG1]
[EG]

Two weeks on there is little certainty in Egypt after Avian Influenza arrived on February 16th. There have been incidents reported in 15 out of 26 governorates or provinces. Government officials report that the number governorates reporting incident has not increase for several days. However, there continue to be new cases reported daily in the governorates already hit by H5N1.

As of March 5, in Qalubial governorate, Egypt's largest poultry producing state, 500,000 chickens have been culled and another 1.5 million are due to be culled over the coming week. The governorate's estimated poultry population (broilers and layers) was 25 million.

Restaurants and fast food outlets report chicken sales have dropped 65 percent despite discounting chicken selections by up to 70 percent. In a show of support, the Shura Council, the upper house of the Egyptian Parliament, gathered for a lunch of local poultry inviting consumers to join them in support of Egypt's LE20 billion (\$5.3 billion) poultry industry reeling from the crisis.

The Government has begun compensating some farmers for culled birds and is beginning to show signs of planning for a post-crisis Egyptian poultry industry. The Government has outlawed the sale of live chickens across the country, frozen interest payments and increased the grace period on loans to the industry. It has begun a large-scale survey of the sector to get a handle on the extent of damage and to assist in its planning.

The Government has announced it will only re-issue licenses to farms and facilities that conform to international standards. The Government has passed legislation to help support the private sector establish and expanding slaughtering capacity with the ultimate objective of covering domestic needs with a safe modern slaughtering sector. Pre-crisis 90 percent of Egyptian poultry was retailed live.

Egypt has begun to compensate farmers for culled birds. It has also started to articulate plans to restructure the poultry industry. The Government plan calls on the Egyptian "Social Fund for Development" (SFD) and the poultry bourse in Qalubiea to implement the compensation plan and to manage the funds that will be made available for "transforming" the poultry sector. The SFD fund is currently LE 25 million (\$7.7 million). Farmers will be entitled to an individual loan of LE 3,000 (\$800), and store owners will be allowed LE 6,000 (\$1600) to finance converting their stores from live bird to frozen poultry outlets.

Egypt has only 8 modern poultry slaughterhouses with a total capacity of approximately 300,000 birds per day. There is an additional slaughter capacity of 120,000 birds per day in manual slaughterhouses across the country. The total current slaughter capacity can handle less than 25 percent of broiler production (2 million birds per day).

The Government hopes to establish 30 new modern slaughterhouses. According to contacts, the average cost of establishing a slaughter house in Egypt with 3000 bird per hour capacity is about LE 40 million (\$11 million) including freezing tunnels and rendering equipment and it would take at least one year to start operation.

According to grain importers and traders, demand for both corn and soybeans are down by 50 percent and it is expected to drop further as the current cycle of poultry production ends. Few small to medium-scale producers are expected to starting new broiler cycles under the Governments new strict marketing system. Contracts say that they isn't the slaughter and freezing capacity to handle anywhere near old levels of production. Most observers believe only large integrated companies will be able to work under the new system or only about 20 percent of Egypt's pre-crisis commercial production.

Several contacts reported that the government is in the process of allowing the importation of frozen poultry in order to fill what traders call the likely gap between production and demand. These same traders report rumors that the tariff on imported poultry will be reduced to 10 percent from the current 32 percent. There is no official confirmation of this from GOE contacts. The U.S. poultry meat has not been export to Egypt for some time due in part to specialized Egyptian Halal slaughter restrictions.